Appendix B

DESIGN 2000/ENERGY INITIATIVE ACCELERATED APPLICATION PROCESS (DRAFT PROPOSAL)

(Note: A number of outstanding issues remain concerning the design of this "process" as outlined on pages 28 and 29 in MECo's Five-Year Plan. The final proposal will be filed upon the successful resolution of these issues with all parties involved.)

I. Overview

The Accelerated Application Process provides an alternative method for customers to receive rebates through Design 2000 and Energy Initiative. It is based on the Alternative Financing Pilot that MECo implemented in 1995 and 1996 and that was approved by the MDPU in Docket 94-112. A number of major revisions have been made to the Pilot and starting in 1998, the Company is proposing to offer this application process to all of MECo's C/I customers who find that it better meets their business needs than the standard prescriptive and custom application processes under Design 2000 and Energy Initiative.

Customers who elect to participate in this application process will continue to support MECo's energy efficiency programs through the distribution charge, when retail access is made available to all Massachusetts electric customers, in the same manner as all other C/I customers. However, if they elect to spend the funds made available to them for efficiency projects (as detailed on the following pages) within the two calendar year rolling period, they will be able to recover a substantial portion of this charge. Further, they will have the ability to draw down in advance up to the full amount of their anticipated future payments through the

¹ In MECo's Offer of Settlement in DPU 96-25 the Company's distribution charges for G-1, G-2 and G-3 customers in the proposed unbundled rates for 1998 include the costs of the Company's energy efficiency programs. As a result, the conservation cost factor applied to these rates in past years will no longer exist in 1998. For this application process, the Company will refer to a proxy "energy efficiency charge" (a surrogate conservation cost factor or cc factor) which will represent the portion of the distribution charge that, in turn, represents the cost of the Company's C/I energy efficiency programs divided by the projected kWh sales for C/I customers. A separate "energy efficiency charge" will be calculated for each rate class based on the 1998 budgets for the Company's efficiency programs, distributed by historical spending by rate class for these programs, and then divided by the projected kWh sales for each rate class. This "energy efficiency charge" will vary by year as the budgets and the kWh sales for G-1, G-2 and G-3 customers change. (Note: This is one of several alternatives for calculating customers' contributions to the MECo's C/I energy efficiency programs. Other options will be considered with the parties involved).

energy efficiency charge for the two years at any point to invest in energy efficiency projects.

II. Objectives

The objectives of the Accelerated Application Process are three fold:

- To offer a streamlined application procedure to enhance customers' participation in and satisfaction with MECo's energy efficiency programs
- To help further reduce the administrative costs of MECo's C/I energy efficiency programs
- To allow more energy efficiency projects to be completed each year

III. Key Elements

1. Customers who choose to participate in the Accelerated Application Process will be provided with a projection of the total funds available to them for investment in energy efficiency projects over the term of any of the two calendar years in which they choose to participate. (Note: Customers may participate in any two consecutive calendar years during the Company's Five Year Energy Efficiency Plan and may participate for more than one two year period). This projection may be derived by multiplying the "to be determined" proxy for the DSM factor or energy efficiency charge (see footnote 1) for the appropriate rate class by the customer's projected annual kWh usage for two calendar years. Customers may use up to 85% of the above projection for eligible energy efficiency projects. Note: There will be a true-up at the end of the first year to adjust the participant fund pool based upon actual energy efficiency charge collections to date and a refined projection of the second year's collections.

Participants must aim to complete the installation of their energy efficiency projects within the two calendar year period. If for reasons beyond a participant's control, a project is delayed beyond the two calendar years and a good faith effort has been made to complete the project, MECo will pay the appropriate rebate to the customer upon completion of the project.

2. Customers may spend the available funds on any electrical efficiency measure that is deemed to be cost-effective, as that term is defined by the MDPU. (Note: At the participant's option, Company personnel will apply the cost-effectiveness test to measures and projects selected by the participants; or the Company will provide its cost-effectiveness calculation software to participants and they may do the calculation themselves.) If a

measure is specifically excluded from Design 2000 and Energy Initiative as stated on the applications, it is not eligible through this process. The Company will reserve the right to make the final determination as to what measures are eligible.

3. The cost-effectiveness test will apply to both retrofit and time-dependent (e.g., new construction, renovation, failed equipment) opportunities. For retrofit opportunities, available funds may be used to pay for 75% of the cost of the equipment or buy the cost of the equipment down to a six month payback to the customer, whichever is less. Thus, a co-pay will continue to be required. Eligible measures must have at least a minimum of a six month payback to be considered for a rebate. The Company will permit participants to value their inkind contribution to a project toward the co-pay requirement (e.g., engineering analysis, installation labor, and administrative costs associated with forms preparation and installation verification, etc. when provided by customer employees).

For time-dependent opportunities, funds may be used to cover 100% of the incremental cost of equipment based on predetermined criteria.

- 4. At the customer's option, MECo will preapprove efficiency projects, based on an expedited preapproval process within 45 to 60 days of submittal assuming full cooperation from all parties involved. If the customer elects this option, the customer will be guaranteed reimbursement for the investment after the equipment has been installed. The customer may also proceed with the installation of projects it deems cost-effective, based on Item #2 above, without MECo preapproval; however, in these instances reimbursement cannot be guaranteed. When customers select the preapproval option, they will be eligible for a progress payment in retrofit (Energy Initiative) as well as new construction/renovation/ failed equipment replacement (Design 2000) opportunities.
- 5. Participants will use the Custom Energy Efficiency Projects Worksheet (Worksheet #5 - an existing worksheet in both the Design 2000 and Energy Initiative programs) to document their projects. All measures for which reimbursement is required must be submitted on this worksheet. Applications will require sufficient data to demonstrate that each measure was determined by the customer to be cost-effective prior to installation.

Invoices will be required for all installed measure and labor costs. Based upon the customer's election in item #4 above, these applications may or may not be submitted to MECo prior to the installation of measures. If a customer elects not to seek prior approval, and a measure is subsequently

determined by MECo to be not cost-effective, the customer will not be reimbursed for this measure.

[Note: At the participant's election, a MECo representative will prepare the Custom Energy Efficiency Projects Worksheet and all other associated paperwork required for the project, using data provided by the participant. Or, the participant may prepare and submit all paperwork, and be credited for data collection and preparation time as an inkind contribution to the co-pay requirement. In either case, the participant will remain accountable for the accuracy of the underlying data.]

- 6. Participants with multiple facilities in the MECo service territory can aggregate the funds they contribute through the energy efficiency charge from all facilities and expend these funds at any facility within the service territory without regard to the source. Participants can also elect which of their facilities they want to have participate in the accelerated application process. Those facilities that don't participate in this process can still apply for rebates through the prescriptive and customer application process in Design 2000 and Energy Initiative and through Small C/I.
- 7. Post-installation inspections may be completed by MECo for all measures to verify that the measures were installed and are operable. Participants may certify that their projects are complete and fully operational; however, MECo reserves the right to complete a post-installation inspection of any project.
- 8. Customers will be paid the rebates due for measures they install following the submittal of applications and associated paperwork and the subsequent satisfactory completion of the post-installation inspection. Reimbursement will be provided for actual expenditures. Inkind contributions, as discussed in #3. above, are actual expenditures for the purpose of computing the co-pay requirement.
- Assuming MDPU approval, the Accelerated Application Process will be implemented for all five years of MECo's Energy Efficiency Plan. The Process will also be implemented starting on January 1, 1998.
- Participants will be able to accrue funds for two consecutive calendar years and can use these funds on efficiency projects at any point during this period.

- 11. Participants will not have access to technical services offered through Design 2000 and Energy Initiative such as Technical Assistance or Commissioning.
- 12. If participants do not spend the full amount of the funds that are available to them (as defined in #1 above) within the two year period in which they elect to participate, the balance will remain with the Company to be expended for commercial/industrial energy efficiency program purposes.
- 13. A flexible budget cap to be reviewed in subsequent years will be established on the amount of rebates that can flow through the Accelerated Application Process.